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TEACHERS' RETIREMENT ALLOWANCES FUND BOARD

1983

ANNUAL REPORT

MANITOBA

TEACHERS' RETIREMENT ALLOWANCES
FUND BOARD
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The Honourable Maureen Hemphill,
Minister of Education,
Room 168, Legislative Building,
Winnipeg, Manitoba,
R3C 0V8.

25th June, 1984.

Dear Madam Minister:

In accordance with subsection 45(3) of The Teachers' Pensions Act, we are pleased to report on our administration of the Teachers' Retirement Allowances Fund for the year ended December 31, 1983. Appended to and forming part of this report are the following:

1. Statement of "Comparative Statistics" of significant aspects of the Fund covering the period from inception in 1925 to the end of 1983.

2. Report of the Provincial Auditor on his examination of the accounts of the Fund for the year ended December 31, 1983 as required by clause 45(3)(a) of the Act.

3. Financial Statements in respect of the year ended December 31, 1983 as follows:

   Exhibit A - Balance Sheet as at December 31, 1983.

   Exhibit B - Statement of Changes in Benefit Reserves for the year ended December 31, 1983.

   Schedule 1 - Summary of Investments as at December 31, 1983.

   Schedule 2 - Summary of Investment Income for the year ended December 31, 1983.

   Notes to the Financial Statements for the year ended December 31, 1983.

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INVESTMENTS:

During 1983, invested assets increased by almost $44,000,000. This amount along with over $9,000,000. of funds received from securities sold or matured was invested as follows:

	% of Total	Cost (thousand $)	Average Yield %
Bonds - Province of Manitoba	1.9	$ 1,000,	11.75
- Canadian Corporations	5.7	3,047,	14.13
- Externally managed bond fund	18.7	10,000,	13.15
Total Bonds	26.3	14,047,	13.26
Mortgages - Insured, N.H.A.	17.8	9,515,	14.97
- Insured, other	.3	187,	11.25
- Uninsured	11.7	6,274,	14.39
Total Mortgages	29.8	15,976,	14.70
Total Fixed Income	56.1	$30,023,	14.03
Real Estate Equity	15.9	$ 8,508,	
Other Equity - Venture Capital	5.7	3,047,	
- Canadian Commercial Bank Shares	3.2	1,708,	
- Direct Natural Resource Equity	2.6	1,395,	
- Mortgage Investment Corp. shares	1.0	512,	
Total Other Equity	12.5	6,662,	
Total Equity	28.4	$15,170,	
Total Long Term Investment	84.5	$45,193,	
Short Term Investment	15.5	8,300,	
Total New Investment	100.0	$53,493,	

As investments in real estate, mortgages, venture capital and direct acquisition of natural resource assets require advance commitment of funds which are paid out during or on completion of construction or as required to fund venture capital or natural resource acquisitions, over $27,000,000. of unfunded commitments were in place at the end of the year, as follows:

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	Amount (thousand $)	Average Yield
Mortgages - Insured, N.H.A.	$ 5,686,	13.30%
- Conventional	1,805,	13.73%
Total Mortgages	$ 7,491,	
Real Estate Equity	$ 5,425,	
Other Equity - Direct Natural Resources	10,733,	
- Venture Capital	3,933,	
Total Other Equity	$14,666,	
Total Equity	$20,091,	
Total Commitments	$27,582,	

Under the Act, investments are made as directed by the Investment Committee, comprised of the Chairman and a "teacher" member of the Board and the Deputy Minister of Finance for the Province. The Committee held 7 formal meetings during 1983 and the results of its decisions are portrayed in the preceding paragraphs. Although there was a net increase in the amount invested in every asset class, the percentage of total investments representing fixed income securities reduced by approximately 3% to 65.2% offset primarily by an increase in equity investments from 18% to 20.4% of the total portfolio.

The rate of return on the average net assets of the Fund declined in 1983 to 10.45% from 11.96% in the preceding year. Approximately 75% of the decline is attributed to reduced income on short term investments where the average rate of interest reduced from 16.74% in 1982 to 10.25% in 1983. Also, income from the increasing equity portion of the Fund is expected to be realized primarily through capital gains over time. As most of these investments have been held for relatively short periods of time and are of a type that do not regularly trade, the Investment Committee did not have sufficiently reliable information on value to recommend any adjustments to market value for these investments.

PENSIONS:

During the year there was a net increase of 122 in the number of retirement income and other monthly benefits being paid. Following is a summary of persons receiving different types of retirement income benefits at December 31, 1983:

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Regular service pensions -	
to retired teachers	2,843
to dependants or estates of deceased retired teachers	88
Disability pensions -	
to retired disabled teachers	124
to dependants or estates of deceased retired disabled teachers	4
Death Benefits -	
to surviving spouses or children of deceased teachers	53
Special Annuities -	
to former teachers of retirement age not entitled to regular pensions	127
	3,239

ACTUARIAL VALUATION:

As required by the Act, an actuarial appraisal is made of the Fund every 3 years and the appraisal as at January 1, 1984 is currently being performed. In his last report as at January 1, 1981, the Actuary advised that the Fund's actuarial liabilities were totally offset by actuarial assets; therefore, the Fund was in a financial position to pay its share of the cost of all benefits promised under the Act to present members.

PENSION REFORM:

Amendments that were made to The Pension Benefits Act during 1983 are applicable to this plan as that Act supercedes The Teachers' Pensions Act. Preliminary information we have obtained from the Actuary indicates that the changes in the plan necessary to accomodate the amendments to The Pension Benefits Act will result in a significant increase in the actuarial liabilities of the Fund. Staff of this Board have participated in meetings with respect to this matter between representatives of The Manitoba Teachers' Society and officials of the

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government at which a consensus has emerged to the effect that compliance with some provisions of The Pension Benefits Act are not in the long term best interests of the members of this plan. We also understand that the provisions in question are those which have the greatest impact on the financial position of the Fund and that a submission dated April 26th, 1984, has been made to you and to the Minister responsible for The Pension Benefits Act by The Manitoba Teachers' Society to except The Teachers' Pensions Act from these provisions. We support the proposals contained in that submission and would hope that the government will be able to grant the exception within the general intent of its pension reform policy.

Respectfully submitted,

THE TEACHERS' RETIREMENT ALLOWANCES FUND BOARD,

by Chairman - James G. Oborne
Vice-Chairman - William E. Lavery

Members nominated by --

Manitoba Teachers' Society	Manitoba Association of School Trustees
David Lerner	Ray Whiteway
Marilyn Thompson	
Kenneth Valainis	

TEACHERS' RETIREMENT ALLOWANCES FUND BOARD

COMPARATIVE STATISTICS

1925 - 1983

Year Ended 30th June	Net Assets	Income From Investments			CONTRIBUTIONS			Admin. Expenses	Refunds	Pensions			
			Approx. Rate of Return %	Number of Teachers Contributing	Teachers	Province of Manitoba	School Districts			Cost	Being paid at end of period	Added during period	deleted during period
	Thousand $	Thousand $			Thousand $	Thousand $	Thousand $	Thousand $	Thousand $	Thousand $			
1925 to 1948	1,866,	628,	4.00		1,761,	248,	—	33,	279,	464,	109	192	83
1949	2,143,	66,	3.25	3,620	229,	49,	48,	9,	45,	60,	134	34	9
1950	2,477,	84,	3.25	3,650	292,	55,	54,	8,	73,	71,	150	30	14
1951	2,827,	86,	3.25	3,750	325,	58,	57,	8,	87,	81,	160	25	15
1952	3,261,	100,	3.25	3,800	362,	88,	87,	11,	105,	88,	178	28	10
1953	3,819,	121,	3.35	4,050	413,	121,	118,	10,	108,	98,	194	28	12
1954	4,461,	145,	3.55	4,200	471,	126,	123,	11,	107,	106,	205	28	17
1955	5,471,	172,	3.55	4,250	813,	137,	133,	13,	121,	110,	211	21	15
1956	6,335,	207,	3.55	4,400	656,	140,	136,	12,	141,	121,	230	33	14
1957	11,719,	283,	3.60	4,900	725,	204,	200,	18,	170,	232,	557	351	24
1958	12,908,	402,	3.75	5,200	875,	411,	378,	19,	200,	594,	602	65	20
1959	14,469,	571,	4.00	5,950	1,080,	417,	407,	20,	227,	668,	626	62	38
1960	16,437,	649,	4.25	7,000	1,313,	474,	442,	29,	199,	682,	648	45	23
1961	18,688,	757,	4.45	7,300	1,545,	502,	459,	26,	270,	716,	675	61	34
1962	21,043,	875,	4.65	7,300	1,606,	519,	475.	28,	316,	776,	725	73	23
1963	23,225,	1,030,	4.70	7,750	1,717,	529,	500,	36,	461,	1,097,	781	74	18
1964	25,316,	1,144,	4.85	8,700	2,247,	256,	527,	44,	531,	1,509,	895	148	34
1965	28,084	1,281,	5.00	9,000	3,137,	261,	539.	40,	610,	1,750,	960	101	36
1966	30,387,	1,427,	5.00	9,400	2,962,	538,	287,	39,	803,	2.072,	1,032	102	30
1967	33,746,	1,574,	5.15	9,750	2,972,	1,017,	11,	44,	859,	2.251,	1,084	88	36
1968	36,839,	1,735,	5.35	10,650	3,655,	1,227,	20,	57,	904,	2,594,	1,155	120	49
1969	40,627,	2,008,	5.50	11,150	4,332,	1,394,	12,	56,	990,	2,906,	1,253	138	40
1970	44,828,	2,320,	5.60	11,650	4,710,	1,578,	13,	64,	1,116,	3,261,	1,357	143	39
6 mos. ended 31 Dec. 1970	46,311,	1,369,	6.00	11,750	1,806,	1,280,	5,	31,	649,	2,310,	1,458	124	23
year ended 31st Dec.													
1971	52,119,	3,125,	6.19	12,100	5,620,	3,123,	16,	90,	1,048,	4,955,	1,606	195	47
1972	60,249,	3,977,	6.40	12,000	6,281,	3,841,	10,	114,	1,244,	5,670,	1,737	182	51
1973	68,188.	3,996,	6.53	12,200	6,982,	6,100,	9,	123,	1,186,	7,076,	1,980	293	50
1974	77,256,	3,078,	4.43	12,300	7,862,	8,755,	8,	136,	1,449,	8,957,	2,176	244	48
1975	89,277,	7,008,	8.94	12,400	9,316,	7,538,	6,	168,	1,385,	10,661,	2,289	171	58
1976	101,988.	8,090.	8.91	12,500	10,656.	8,519.	5.	215.	1,471.	12,388.	2,416	175	48
1977	117,140.	9,260.	8.91	12,600	12,348.	9,322.	5.	290.	1,449.	14,018.	2,524	161	53
1978	137,127.	12,007.	9.91	12,716	14,538.	9,985.	11.	261.	1,499.	15,489.	2,649	187	62
1979	159,066.	14,917.	10.60	12,533	16,292.	10,859.	4.	292.	1,817.	17,212.	2,789	196	56
1980	184,458.	17,181.	10.53	12,471	18,065.	11,848.	5.	358.	2,174.	19,050.	2,935	218	72
1981	222,755.	22,877.	14.02	12,805	25,985.	12,617.	-	404.	2,191.	20,867.	3,007	143	71
1982	272,360.	27,966.	11.96	12,907	26,293.	13,912.	-	493.	2,210.	23,054.	3,117	194	84
1983	316,200.	29,108.	10.45	12,915	27,557.	15,183.	-	549.	2,027.	25,519.	3,239	197	75

MANITOBA

PROVINCE OF MANITOBA
PROVINCIAL AUDITOR

THE TEACHERS' RETIREMENT ALLOWANCES FUND

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the financial statements, being Exhibits A and B and Schedules 1 and 2, of The Teachers' Retirement Allowances Fund for the fiscal year ended December 31, 1983. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1983 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

W. K. Ziprick, C.A.,
Provincial Auditor.

June 8, 1984,
Winnipeg, Manitoba.

Exhibit A

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Balance Sheet
as at December 31, 1983
(with 1982 figures for comparison)

A S S E T S

	1983	1982
Investments, Schedule 1	$ 308,703,266	$ 264,917,163
Unamortized net adjustment to book value of securities sold before maturity	139,072	183,374
Accrued interest on investments	4,557,430	4,099,256
Investment income receivable	348,765	356,412
Balance of teacher and school division contributions owing by school divisions	2,105,519	2,217,549
Cash on hand and in bank	345,823	586,083
	$ 316,199,875	$ 272,359,837

L I A B I L I T I E S

Balance of Province of Manitoba Account	$ (98,542)	$ (34,084)
Benefit Reserves, Exhibit B:		
Reserves for teachers' share of benefits:		
Basic	290,480,506	250,907,449
Pension indexing adjustments	24,567,296	20,414,385
Reserves for employers' share of benefits:		
Manitoba Teachers' Society	872,380	757,471
Manitoba Association of School Trustees	77,587	59,220
	315,997,769	272,138,525
Reserve for Fund's share of employees' pension benefits (Note 1E)	300,648	255,396
	$ 316,199,875	$ 272,359,837

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Exhibit B

Statement of Changes in Benefit Reserves
for the year ended December 31, 1983
(with 1982 figures for comparison)

	1983					1982
	Reserve for Teachers' Share of Benefits		Reserve for Employers' Share of Benefits			
	Basic	Pension Indexing Adjustments	Manitoba Teachers' Society	Manitoba Association of School Trustees	Total	Total
Additions:						
Contributions:						
Teachers	$ 23,236,931	$ 4,320,344	$ -	$ -	$ 27,557,275	$ 26,293,466
Province of Manitoba						
Share of benefits charged	13,429,590	-	-	-	13,429,590	12,156,965
Re: Actuarial liability created by 1970 and 1973 amendments	1,613,300	-	-	-	1,613,300	1,613,300
Prior rural service of certain retired Winnipeg teachers	140,485	-	-	-	140,485	141,810
Manitoba Teachers' Society	-	-	59,362	-	59,362	69,960
Manitoba Association of School Trustees	-	-	-	11,113	11,113	6,564
Others - Transfers under reciprocal agreements	706,167	-	-	-	706,167	616,180
Total contributions	39,126,473	4,320,344	59,362	11,113	43,517,292	40,898,245
Investment Income, Schedule 2 (Note 1)	26,297,515	2,722,168	81,126	7,254	29,108,063	27,965,518
Total additions	65,423,988	7,042,512	140,488	18,367	72,625,355	68,863,763
Deductions:						
Pensions paid	22,604,223	2,889,601	25,579	-	25,519,403	23,053,523
Contributions refunded	2,027,408	-	-	-	2,027,408	2,210,054
Transfers under reciprocal agreements	669,885	-	-	-	669,885	693,326
Administrative expenses	549,415	-	-	-	549,415	492,808
Total deductions	25,850,931	2,889,601	25,579	-	28,766,111	26,449,711
Net increase for year	39,573,057	4,152,911	114,909	18,367	43,859,244	42,414,052
Balance at beginning of year	250,907,449	20,414,385	757,471	59,220	272,138,525	229,724,473
Balance at end of year, Exhibit A	$ 290,480,506	$ 24,567,296	$ 872,380	$ 77,587	$ 315,997,769	$ 272,138,52

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Summary of Investments
as at December 31, 1983

	Par Value	Book Value
Fixed income investments:		
Bonds and debentures issued by, or guaranteed by, the following:		
Canada	$ 15,334,000	$ 15,105,137
Province of Alberta	165,000	164,640
Province of British Columbia	337,000	334,530
Province of Manitoba	26,295,000	26,269,171
Province of New Brunswick	965,000	961,063
Province of Newfoundland	1,150,000	1,143,280
Province of Nova Scotia	285,000	282,837
Province of Ontario	1,575,000	1,569,926
Province of Prince Edward Island	790,000	781,760
Province of Quebec	1,160,000	1,155,548
Province of Saskatchewan	350,000	348,145
Hospital districts	4,628,000	4,595,529
Municipal corporations	9,929,859	9,885,648
School districts and divisions	138,000	137,226
Corporations	42,204,494	40,764,229
Managed Bond Fund	10,000,000	10,000,000
	$ 115,306,353	$ 113,498,669
Mortgages:		
Insured:		
National Housing Act (Canada)	61,585,919	60,768,906
Other	11,978,238	11,843,086
Uninsured	15,852,591	15,835,208
	$ 89,416,748	
Short Term Notes	$ 44,400,000	44,400,000
Total fixed income investments at amortized cost		246,345,869
Less: Provision for losses		693,167
Net fixed income investments, carried forward		245,652,702

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Summary of Investments
as at December 31, 1983

	Book Value
Brought forward	$ 245,652,702
Equity investments:	
Mortgage investment corporation shares	2,612,022
Canadian Commercial Bank shares	5,988,000
Direct natural resources:	
Shares	1,000,100
Investment in subsidiary (Note 3)	1,194,424
Venture Capital investments	3,446,667
Total equity investments, at cost	14,241,213
Real estate equity investments:	
Common shares	23,718,689
Participating bonds	28,371,662
Qualifying shares	10,000
Total real estate equity investments, at appraised values	52,100,351
Less: Provision for decline in appraised values	3,291,000
Net real estate equity investments	48,809,351
Total investments, Exhibit A	$ 308,703,266

Schedule 2

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Summary of Investment Income
for the year ended December 31, 1983
(with 1982 figures for comparison)

	1983	1982
Fixed income investments:		
Interest	$ 25,731,827	$ 24,509,130
Amortization of discounts and premiums	302,160	246,424
	26,033,987	24,755,554
Less: Provision for capital losses on fixed income investments	475,290	413,310
	25,558,697	24,342,244
Equity investments:		
Dividends	240,990	236,976
Real estate equity investments:		
Interest and dividends	2,997,858	3,150,621
Adjustments due to change in book value of investments	341,166	261,656
	3,339,024	3,412,277
Total investment income	29,138,711	27,991,497
Less: Allocated to Reserve for Fund's share of employees' pension benefits	30,648	25,979
Net investment income, Exhibit B	$ 29,108,063	$ 27,965,518

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Notes to the Financial Statements
for the year ended December 31, 1983

1. Significant Accounting Policies:

The significant accounting policies are summarized below:

A) The Fund follows the accrual basis of accounting in all cases where the amount of the accrual is material, specifically teacher contributions and fixed investment income.

B) The investment income measurement policies consist of:

i) Fixed income investments:

Income on fixed income investments includes the net effect of amortization of discounts and premiums on securities held as well as amortization of book losses on bonds sold before maturity in order to acquire other securities for an increase in net yield.

One quarter of 1% of the weighted average monthly book value during the year of fixed income investments, excluding short-term notes, is allocated to a provision for capital losses and any actual losses realized are charged against the provision.

ii) Equity investments:

Where valuation information is available, which is considered by the Investment Committee to be reliable, equity investments are adjusted to reflect the change in their values. One-half of any unrealized appreciation is taken into income in the year and the balance is credited to the provision for valuation declines. In any year that the valuations decrease, the whole of the decrease is charged to the provision. When an investment is sold, the balance in the provision pertaining to the investment sold is transferred to income. At the end of 1982 and 1983, no valuation information was available in respect of equity investments held that was considered by the Investment Committee to be sufficiently reliable to justify adjustments to recorded values.

iii) Real estate equity investments:

The same income measurement policy that applies to the Fund's other equity investments has been adopted for real estate equity investments. The Board has recognized appraised values of the underlying properties on real estate investments for purposes of this policy. Appraisals are done by management and test verified by independent appraisers at September 30 in each year. The Fund's share of the appraisal surplus on that date is reflected in the accounts. Transactions recorded as a result of this policy were as follows:

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Notes to the Financial Statements
for the year ended December 31, 1983

		Added to	
	Appraisal Surplus	Investment Income	Provision for Market Declines
As at December 31, 1980	$ 6,749,000	$ 3,374,000	$ 3,375,000
Year ended December 31, 1981	7,688,000	3,844,000	3,844,000
Year ended December 31, 1982	(1,754,000)	-	(1,754,000)
Year ended December 31, 1983	(2,174,000)	-	(2,174,000)
Balances, December 31, 1983	10,509,000		$ 3,291,000
Real estate investments, cost	41,591,351		
Real estate investments, appraised value	$52,100,351		

C) Pension Indexing Adjustment Reserve:

An allocation of teachers' contributions is made in accordance with the Act to the reserve. Interest is allocated to the reserve on the basis of the average rate earned by the Fund on total new fixed income investments made since establishment of the reserve.

Cost of living pension adjustment payments are calculated effective July 1 in each year and are based on the lesser of the increase in the Canadian Consumer Price Index for the preceding calendar year, or the amount, determined by an actuarial review, that could be paid without resulting in an unfunded liability in the reserve.

D) The financial statements do not reflect the financial position of the Fund on an actuarial valuation basis. In accordance with the Act, an actuarial valuation and report is required every 3 years. In his most recent actuarial report on The Teachers' Retirement Allowances Fund as at January 1st, 1981, the Actuary stated that the financial position of the Fund had improved during the period covered by his review. As a result of the limited utilization of the Province of Manitoba rate of return guarantee the Fund was in a sound financial position as of the valuation date.

E) Reserve for Fund's share of employees' pension benefits:

The Fund is liable for payment of one-half of the pensions paid to its retired employees. Based on an actuarial report as at December 31, 1980, a portion of the Fund was allocated to provide for the Fund's accrued actuarial liability in this regard. The report provided a method of allocating further funds to the Reserve each year to recognize the annual increases in this liability. Transactions affecting the Reserve in 1983 and 1982 were as follows:

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Notes to the Financial Statements
for the year ended December 31, 1983

	1983	1982
Balance, beginning of year	$ 255,396	$ 216,492
Interest allocated from investment income	30,648	25,979
Required employer contribution charged to Administrative expenses	17,296	15,388
	303,340	257,859
Less: Fund's share of pension payments	2,692	2,463
Balance, end of year	$ 300,648	$ 255,396

2. Guarantee by the Province:

Under the Act, the Province of Manitoba guarantees that a certain rate of return which varies based on actuarial assumptions, will be earned on the assets of the Fund. Any deficiency in annual earnings is made up by the Province; however, no payments have been required since 1975.

3. Investment in Subsidiary:

The Teachers' Retirement Resources Investment Corporation of Manitoba Inc., a wholly owned subsidiary of the Fund, was incorporated on July 13, 1983 for the purpose of participating in the energy resource sector on behalf of the Fund.

The Fund's investments shown in Schedule 1 include $1,194,324 recoverable advances provided by the Fund to the Corporation and an amount of $100 representing the capital stock issued by the Corporation. Net income resulting from the Corporation's operations is paid over to the Fund as a return on its investment. Proceeds from realization by the Corporation of its capital investments financed from advances is paid over to the Fund and applied against the advances.

4. Effect of Legislative Changes:

Amendments made to the Pension Benefits Act during 1983 require changes consisting of earlier protection of pension rights, enhanced survivor benefit pprovisions, and other changes to be made to pension funds progressively commencing with 1984 to 1990. The actuary has made several preliminary estimates of the cost of implementing the above-mentioned changes which indicate a potential significant increase in the actuarial liabilities as at December 31, 1983. An actuarial report as at January 1, 1984 is currently being prepared to establish the Fund's overall actuarial position. A submission has also been made requesting that the Fund be exempted from certain requirements of the Pension Benefits Act on the basis that these provisions are not in the long term best interests of the members. If the request is approved, the cost of implementing the remaining changes will be substantially reduced.